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SUBJECT: KUWAIT'S GLOBAL INVESTMENT HOUSE RECAPITALIZES

REF: KUWAIT 8

SENSITIVE BUT UNCLASSIFIED -- HANDLE ACCORDINGLY

11. (SBU) Summary: Kuwait's largest investment firm, Global Investment House -- which faces almost \$3 billion in short- and mid-term liabilities -- announced plans June 15 to raise approximately \$523 million in a capital subscription. Additionally, the company hopes to raise a further \$730 million by selling off 30% of its proprietary assets. The proceeds of these offerings will be used to repay a portion of GIH's outstanding debt. GIH's CEO lamented the GOK's failure to prop up the country's troubled investment sector. End Summary.

12. (SBU) GIH announced a \$523 million recapitalization at its June 15 annual shareholders meeting. The announcement came a week after the firm held two meetings with representatives of 53 banks involved in syndicated loans to the firm, at which the creditors agreed to extend standstill agreements put in place in January 2009, following the firm's December 2008 default (ref A). GIH CEO Bader Al-Sumait told Econoffs June 16 that the firm will also sell 30% of its proprietary assets -- which were placed in a Macro Fund and conservatively valued at \$2.4 billion by PricewaterhouseCoopers -- with the goal of raising approximately \$730 million. Noting the firm's ten-year track record, \$7.4 billion under management, presence in 14 countries, and positive shareholders' equity of \$1 billion, Al-Sumait voiced optimism that existing shareholders and new investors will participate in both offerings.

CEO LAMENTS GOK INACTION

12. (SBU) During the meeting with Econoffs, Al-Sumait lamented the GOK's failure to support Kuwait's troubled investment sector, attributing the problem above all to the Government's perennial inability to articulate policy proposals and to stand up to obstructionist parliamentarians. He said the lack of GOK support in the investment sector stood in stark contrast to interventionist policies pursued by Governments in the U.S. and elsewhere in the past year. He also asserted that none of Kuwait's investment companies would apply for relief under the GOK's \$5 billion financial stability law, given the terms and fundamental weaknesses in the law's provisos (septel).

13. (SBU) Comment: Six months after GIH's \$200 million default (ref A), the firm appears to have assuaged its creditors -- and assured its core shareholders -- of its long-term financial viability. Kuwait's banks' unwillingness to lend money in the current economic environment is clearly hampering GIH's ability to raise new debt, contributing to the firm's decision to rely on the \$523 million capital hike and sale of 30% of its core assets to enhance liquidity. End

Comment.

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